

Message Text

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E.O. 11652: N/A

TAGS: EFIN, AFIN, IN

SUBJ: U.S. LOCAL CURRENCY EXPENDITURES; ERROR IN COMPUTATION OF
AMOUNT REMAINING IN TRANSITION ACCOUNT OF JUNE 30, 1974

1. WE HAVE BEEN RECHECKING OUR ACCOUNTS IN ORDER TO COME UP WITH FINAL NUMBERS ON OUR LOCAL CURRENCY EXPENDITURES DURING THE PERIOD FEBRUARY 18-JUNE 30, 1974. AS WAS PROBABLY TO BE EXPECTED CONSIDERING THE PLETHORA OF NOVEL OPERATIONS THE USDO HAD TO GO THROUGH FOR THE FIRST TIME, SOME ERRORS CREPT IN. THESE RESULTED IN OUR HANDING BACK TO THE GOI RS. 9.1 MILLION LESS THAN WE SHOULD HAVE WHEN WE CLOSED OUT THE TRANSITION ACCOUNT ON JUNE 30. THE REASONS FOR THIS EXCESS WITHDRAWAL OF RS. 9.1 MILLIN FROM THE TRANSITION ACCOUNT ARE:

- 1) DOUBLE COUNTING OF RS. 6 MILLION FOR ADMINISTRATIVE AND PROGRAM EXPENDITURES IN US EMBASSY, KATHMANDU, DURING JUNE 1974;
- 2) COUNTING US LOCAL CURRENCY EXPENDITURES DURING JUNE, 1974 ON A GROSS RATHER THAN NET BASIS, RESULTING IN AN EXCESS WITHDRAWAL OF RS. 2.6 MILLION FROM THE TRANSITION ACCOUNT DURING THE MONTH, AND;
- 3) A SMALL OVERAGE BETWEEN THE AMOUNT OF RUPEES TRANSFERRED FROM FROM THE TRANSITION ACCOUNT TO OUR COMMERCIAL BANK CURRENT ACCOUNTS ON JUNE 28 AND ACTUAL EXPENDITURES DEBITED TO THE TRANSITION ACCOUNT ON THAT DATE, AMOUNTING TO APPROXIMATELY RS. 500,000.

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2. AS A RESULT OF THESE ERRORS, OUR RECORDS SHOWED RS. 163,962, 098.63 REMAINING IN THE TRANSITION ACCOUNT ON JUNE 30, 1974 AND

WE THEREFORE HANDED OVER A CHECK FOR THIS AMOUNT ON JULY 3, 1974. WHEN WE COMPLETED OUR TABULATION OF EXPENDITURES CHARGED TO THE TRANSITION ACCOUNT BETWEEN FEBRUARY 18-JUNE 30, 1974 WE FOUND A BALANCE OF RS. 173,119,745.00 OUTSTANDING ON JUNE 30, 1974, I.E., RS. 9.1 MILLION MORE THAN THE AMOUNT WE HANDED ACK ON JULY 3, 1974.

3. OUR RECENT RECHECKING HAS ALSO UNCOVERED A SEPARATE BUT RELATED PROBLEM CONCERNING FBO EXPENDITURES DURING FEBRUARY 18-JUNE 30, 1974. AS A RESULT OF OUR RECHECKING WE HAVE DISCOVERED THAT FBO MADE CAPITAL EXPENDITURES FOR PROJECTS OTHER THAN THOSE LISTED UNDER COOLEY A OF RS. 2,312,193.62 DURING THE PERIOD. SINCE THERE IS NO PROVISION FOR MEETING THESE EXPENDITURES FROM THE COOLEY A ACCOUNT, AND SINCE THEY WERE MADE PRIOR TO JUNE 30, WE CAN AND HAVE RETROACTIVELY SHIFTED THESE RS. 2.3 MILLION FROM THE COOLEY A ACCOUNT TO THE TRANSITION ACCOUNT, THUS INCIDENTALLY REDUCING THE SHORTFALL IN TRANSITION ACCOUNT EXPENDITURES FROM RS. 9.1 MILLION TO RS. 6.8 MILLION.

4. AS WE SEE IT, THE PROBLEM OF THE REMAINING RS. 6.8 MILLION CAN BE HANDLED IN ONE OF TWO WAYS:

A) ADMIT TO THE GOI THAT WE HAVE DISCOVERED ERRORS RESULTING IN AN UNDERPAYMENT TO THE GOI ON JULY 3 OF RS. 6.8 MILLION AND HAND OVER A CHECK FOR THIS AMOUNT FROM OUR CURRENT BALANCES; OR

B) RETAIN THE RS. 6.8 MILLION FOR THE TIME BEING BY CHARGING A PORTION OF EXPENDITURES ON EITHER AID GRANTS, AND/OR FBO CAPITAL EXPENDITURES EQUAL TO RS. 6.8 MILLION MADE BETWEEN FEBRUARY 18-JUNE 30, 1974 TO THE TRANSITION ACCOUNT INSTEAD OF THE COOLEY A ACCOUNT. IT SHOULD BE STRESSED THAT THIS WOULD ONLY DELAY THE HANDING BACK, NOT ELIMINATE IT.

5. WASHINGTON AGENCIES WILL RECALL THAT UNDER PART I, PARAGRAPH 7 OF THE RUPEE AGREEMENT SIGNED ON FEBRUARY 18, 1974, ALL EXPENDITURES AFTER FEBRUARY 18 AGAINST PRIOR COMMITMENTS FOR AID GRANTS AND JOINT RESEARCH PROJECTS ENTERED INTO PRIOR TO THE DATE OF THE AGREEMENT AND CERTAIN DESIGNATED FBO CAPITAL EXPENDITURES WERE TO BE FUNDED FROM RS. 190 MILLION SET ASIDE FROM THE TRANSITION ACCOUNT ON FEBRUARY 18, 1974 SEPCIFICALLY FOR THESE PURPOSES
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(COOLEY A ACCOUNT). IT WAS THE INTENTION OF BOTH THE USG AND GOI THAT SUCH EXPENDITURES WOULD BE MET FROM COOLEY A ACCOUNT BEGINNING FEBRUARY 19, 1974. WASHINGTON AGENCIES WILL ALSO RECALL, HOWEVER, THAT EARLIER ON WE MADE THE DECISION TO CHARGE EXPENDITURES ON JOINT RESEARCH BETWEEN FEBRUARY 18-JUNE 30, 1974 TO THE TRANSITION ACCOUNT RATHER THAN THE COOLEY A ACCOUNT. WE CAN NOW ALSO DECIDE TO CHARGE PART OF THE AID GRANTS OR FBO CAPITAL EXPENDITURES DURING THIS PERIOD TO THE TRANSITION ACCOUNT RATHER THAN THE COOLEY A ACCOUNT.

6. IT SHOULD BE NOTED THAT SINCE WE ARE OBLIGED TO RENDER AN ACCOUNTING TO THE GOI OF OUR USE OF THE RS. 190 MILLION DEPOSITED INTO THE COOLEY A ACCOUNT AND TO RETURN ANY PORTION OF THIS AMOUNT THAT REMAINS UNUSED WE WILL NOT BE ABLE TO RETAIN THESE RS. 6.8 MILLION INDEFINITELY. RATHER THIS COURSE WOULD ONLY DELAY THE TIME FRAME IN WHICH WE RETURN THE RS. 6.8 MILLION TO THE GOI. THE RS. 6.8 MILLION, ALONG WITH ANY OTHER REMAINING UNEXPENDED BALANCE IN THE COOLEY A ACCOUNT AFTER ALL OUTSTANDING OBLIGATIONS HAVE BEEN MET WILL BE REFUNDED TO THE GOI IN ABOUT 2-3 YEARS TIME.

7. ACTION REQUESTED: WASHINGTON GUIDANCE AS TO WHETHER WE SHOULD PURSUE COURSE (A) OR (B) IN PARAGRAPH 4, ABOVE, OR INSTRUCTIONS AS TO A THIRD AND SEPARATE COURSE OF ACTION. WE WILL NEED YOUR GUIDANCE ASAP SINCE WE ANTICIPATE REQUEST BY GOI FOR A REPORT ON OUR LOCAL CURRENCY TRANSACTIONS BETWEEN FEBRUARY 18-JUNE 30, 1974 IN THE VERY NEAR FUTURE. THIS REPORT WILL SHOW THE TOTAL AMOUNT OF EXPENDITURES MADE FROM THE TRANSITION ACCOUNT DURING THIS PERIOD AND THE AMOUNT REMAINING IN THAT ACCOUNT ON JUNE 30, 1974.

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